

**Committee:** Scrutiny Committee

**Date:** 6 February 2014

**Title:** Treasury Management Strategy 2014/15

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**Agenda Item**

**11**

**Item for decision**

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## **1.0 Summary**

- 1.1 The Council's cash-flow management, use of banks, investments and borrowing is governed by the Treasury Management Strategy (TM strategy).
- 1.2 The CIPFA Code of Practice for Treasury Management in Public Services (the "TM Code") requires the Council to determine its Treasury Management Policy and Strategy for 2014/15 and the following 2 years. However a five year strategy has been prepared to be consistent with the Medium Term Financial Strategy period.
- 1.3 The Local Government Act 2003 also requires Local Authorities to adopt Prudential Indicators and Minimum Revenue Provision Statements, see Appendices A1 and A2.
- 1.4 The TM strategy, *Appendix A*, will continue to give priority to security and liquidity of investment capital over return. It will also be prudent and transparent.
- 1.5 The strategy assumes no new external borrowing. Investments will continue to be prudent. A longer list of counterparties including Building Societies is proposed in order to diversify risk.
- 1.6 There is an opportunity for the Scrutiny Committee to review the report and provide comments in support of the recommendations, or to propose alternatives.
- 1.7 Examples of the questions Scrutiny may wish to consider are:
  - Is the strategy consistent with advice provided by Arlingclose?
  - Does the strategy ensure that the Council's exposure to risk is appropriate and properly managed? Has the right balance been struck between safeguarding funds and earning a return?
  - What do the Prudential Indicators say about the appropriateness of the Council's plans?

## 2.0 Recommendations

2.1 The Scrutiny Committee is requested to endorse the following documents to Cabinet on 18 February 2014 and Full Council on 27 February 2014:

- Treasury Management Strategy 2014/15, Appendix A.
- Prudential Indicators, Appendix A1.
- Minimum Revenue Provision (MRP) Statement, Appendix A2
- Counterparty list, Appendix A3

## 3.0 Impact

Communication/Consultation	No specific implications
Community Safety	No specific implications
Equalities	No specific implications
Finance	The financial impact and the associated arrangements for managing risk are included in the body of the report.
Health and safety	No specific implications
Human Rights	No specific implications
Legal implications	The strategy fulfils requirements of the LGA 2003
Ward-specific impacts	No specific implications
Workforce /Workplace	No specific implications

## 4.0 Background

- 4.1 The Council has adopted the TM Code which requires the Council to approve a Treasury Management Strategy before the start of each financial year.
- 4.2 In addition, the Department for Communities and Local Government (DCLG) issued revised *Guidance on Local Authority Investments* in March 2010 that requires the Council to approve an Investment Strategy before the start of each financial year.
- 4.3 The Treasury Management Strategy fulfils the Council's legal obligation under the *Local Government Act 2003* to have regard to both the TM Code and the DCLG Guidance.
- 4.4 The Council has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk are therefore central to the Council's Treasury Management Strategy and to mitigate these risks.

## 5.0 Background Papers

5.1 None

<b>Risk Analysis</b>			
<b>Risk</b>	<b>Likelihood</b>	<b>Impact</b>	<b>Mitigating actions</b>
Credit/Liquidity/Refinancing and Market risks	2	2	<p>Council compliance with the legal framework as set out in the local Government Act 2003 (as amended), associated regulations and professional Codes of Practice/guidance.</p> <p>Compliance monitored regularly through:</p> <ul style="list-style-type: none"> <li>• adoption of TM Policy and Strategy</li> <li>• Mid year TM progress report to Cabinet/Council</li> <li>• Annual TM outturn Report to Cabinet/Council.</li> <li>• TM procedures</li> </ul>

1 = Little or no risk or impact

2 = Some risk or impact – action may be necessary.

3 = Significant risk or impact – action required

4 = Near certainty of risk occurring, catastrophic effect or failure of project.